

**ARIZONA CORPORATION COMMISSION**  
**UTILITIES DIVISION**

FEB 26 2004

**ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY**

W-02472A  
Mescal Lakes Water Systems Inc.  
P. O. Box 85160  
Tucson AZ 85754

**ANNUAL REPORT**

**FOR YEAR ENDING**

|    |    |      |
|----|----|------|
| 12 | 31 | 2003 |
|----|----|------|

FOR COMMISSION USE

|       |    |
|-------|----|
| Ann04 | 03 |
|-------|----|

## COMPANY INFORMATION

|   |  |   |
|---|--|---|
| <b>Company Name (Business Name)</b> Mescal Lakes Water Systems, Inc.  |  |   |
| <b>Mailing Address</b> 2102 N. Forbes, #107<br><div style="text-align: right; font-size: small;">(Street)</div>       |  |   |
| Tucson<br><div style="font-size: x-small;">(City)</div>   | AZ<br><div style="font-size: x-small;">(State)</div>                               | 85745<br><div style="font-size: x-small;">(Zip)</div>                         |
| 520-624-4404<br><div style="font-size: x-small;">Telephone Number (Include Area Code)</div>                           | 520-792-0377<br><div style="font-size: x-small;">Fax No. (Include Area Code)</div> | <br><div style="font-size: x-small;">Pager/Cell No. (Include Area Code)</div> |
| <b>Email Address</b> _____  |  |   |
| <b>Local Office Mailing Address</b> same as above<br><div style="text-align: right; font-size: small;">(Street)</div> |  |   |
| <br><div style="font-size: x-small;">(City)</div>   | <br><div style="font-size: x-small;">(State)</div>                                 | <br><div style="font-size: x-small;">(Zip)</div>                              |
| <br><div style="font-size: x-small;">Local Office Telephone Number (Include Area Code)</div>                          | <br><div style="font-size: x-small;">Fax No. (Include Area Code)</div>             | <br><div style="font-size: x-small;">Pager/Cell No. (Include Area Code)</div> |
| <b>Email Address</b> _____  |  |   |

## MANAGEMENT INFORMATION

|   |  |   |   |
|---|--|---|---|
| <b>Management Contact:</b> Southwestern Utility Management, Inc.  |  |   |   |
| <div style="font-size: x-small;">(Name)</div>   |  | <div style="font-size: x-small;">(Title)</div>                                |   |
| 2102 N. Forbes, #107<br><div style="font-size: x-small;">(Street)</div>                                     | Tucson<br><div style="font-size: x-small;">(City)</div>                            | AZ<br><div style="font-size: x-small;">(State)</div>                          | 85745<br><div style="font-size: x-small;">(Zip)</div> |
| 520-624-4404<br><div style="font-size: x-small;">Telephone Number (Include Area Code)</div>                 | 520-792-0377<br><div style="font-size: x-small;">Fax No. (Include Area Code)</div> | <br><div style="font-size: x-small;">Pager/Cell No. (Include Area Code)</div> |   |
| <b>Email Address</b> _____  |  |   |   |
| <b>On Site Manager:</b> Raymond Maldonado<br><div style="text-align: right; font-size: small;">(Name)</div> |  |   |   |
| 2102 N. Forbes, #107<br><div style="font-size: x-small;">(Street)</div>                                     | Tucson<br><div style="font-size: x-small;">(City)</div>                            | AZ<br><div style="font-size: x-small;">(State)</div>                          | 85745<br><div style="font-size: x-small;">(Zip)</div> |
| 520-624-4404<br><div style="font-size: x-small;">Telephone Number (Include Area Code)</div>                 | 520-792-0377<br><div style="font-size: x-small;">Fax No. (Include Area Code)</div> | <br><div style="font-size: x-small;">Pager/Cell No. (Include Area Code)</div> |   |
| <b>Email Address</b> _____  |  |   |   |

☒ Please mark this box if the above address(es) have changes or are updated since the last filing.

|                                      |                             |                                    |       |
|--------------------------------------|-----------------------------|------------------------------------|-------|
| <b>Statutory Agent</b> Ezra H. Lewis |                             |                                    |       |
| (Name)                               |                             |                                    |       |
| 2102 N. Forbes, #107                 | Tucson                      | AZ                                 | 85745 |
| (Street)                             | (City)                      | (State)                            | (Zip) |
| 520-624-4404                         | 520-792-0377                |                                    |       |
| Telephone Number (Include Area Code) | Fax No. (Include Area Code) | Pager/Cell No. (Include Area Code) |       |
| <b>Attorney:</b> _____               |                             |                                    |       |
| (Name)                               |                             |                                    |       |
|                                      |                             |                                    |       |
| (Street)                             | (City)                      | (State)                            | (Zip) |
|                                      |                             |                                    |       |
| Telephone Number (Include Area Code) | Fax No. (Include Area Code) | Pager/Cell No. (Include Area Code) |       |

☒ Please mark this box if the above address(es) have changes or are updated since the last filing.

### **OWNERSHIP INFORMATION**

Check the following box that applies to you company:

|  |  |
|--|--|
| <input type="checkbox"/> <b>Sole Proprietor (S)</b>    | <input type="checkbox"/> <b>C Corporation (C) (Other than Association/Co-Op)</b> |
| <input type="checkbox"/> <b>Partnership (P)</b>        | <input checked="" type="checkbox"/> <b>Subchapter S Corporation (Z)</b>          |
| <input type="checkbox"/> <b>Bankruptcy (B)</b>         | <input type="checkbox"/> <b>Association/Co-Op (A)</b>                            |
| <input type="checkbox"/> <b>Receivership (R)</b>       | <input type="checkbox"/> <b>Limited Liability Company</b>                        |
| <input type="checkbox"/> <b>Other (Describe)</b> _____ |  |

### **COUNTIES SERVED**

Check the box below for the county/ies in which you are certificated to provide service:

|  |  |  |
|--|--|--|
| <input type="checkbox"/> <b>APACHE</b>     | <input checked="" type="checkbox"/> <b>COCHISE</b> | <input type="checkbox"/> <b>COCONINO</b> |
| <input type="checkbox"/> <b>GILA</b>       | <input type="checkbox"/> <b>GRAHAM</b>             | <input type="checkbox"/> <b>GREENLEE</b> |
| <input type="checkbox"/> <b>LA PAZ</b>     | <input type="checkbox"/> <b>MARICOPA</b>           | <input type="checkbox"/> <b>MOHAVE</b>   |
| <input type="checkbox"/> <b>NAVAJO</b>     | <input type="checkbox"/> <b>PIMA</b>               | <input type="checkbox"/> <b>PINAL</b>    |
| <input type="checkbox"/> <b>SANTA CRUZ</b> | <input type="checkbox"/> <b>YAVAPAI</b>            | <input type="checkbox"/> <b>YUMA</b>     |
| <input type="checkbox"/> <b>STATEWIDE</b>  |  |  |

**UTILITY PLANT IN SERVICE**

| <b>Acct. No.</b> | <b>DESCRIPTION</b>                     | <b>Original Cost (OC)</b> | <b>Accumulated Depreciation (AD)</b> | <b>O.C.L.D (OC less AD)</b> |
|------------------|--|---------------------------|--------------------------------------|-----------------------------|
| 301              | Organization                           | 104                       | ---                                  | 104                         |
| 302              | Franchises                             | 250                       | ---                                  | 250                         |
| 303              | Land and Land Rights                   | 9063                      | ---                                  | 9063                        |
| 304              | Structures and Improvements            | 7304                      | 4068                                 | 3236                        |
| 307              | Wells and Springs                      | 30319                     | 19713                                | 10606                       |
| 311              | Pumping Equipment                      | 49272                     | 28495                                | 20777                       |
| 320              | Water Treatment Equipment              |                           |                                      |                             |
| 330              | Distribution Reservoirs and Standpipes | 64054                     | 38102                                | 25952                       |
| 331              | Transmission and Distribution Mains    | 477077                    | 341441                               | 135636                      |
| 333              | Services                               | 78717                     | 34826                                | 43891                       |
| 334              | Meters and Meter Installations         | 40933                     | 23664                                | 17269                       |
| 335              | Hydrants                               |                           |                                      |                             |
| 336              | Backflow Prevention Devices            |                           |                                      |                             |
| 339              | Other Plant and Misc. Equipment        |                           |                                      |                             |
| 340              | Office Furniture and Equipment         |                           |                                      |                             |
| 341              | Transportation Equipment               |                           |                                      |                             |
| 343              | Tools, Shop and Garage Equipment       |                           |                                      |                             |
| 344              | Laboratory Equipment                   |                           |                                      |                             |
| 345              | Power Operated Equipment               |                           |                                      |                             |
| 346              | Communication Equipment                |                           |                                      |                             |
| 347              | Miscellaneous Equipment                |                           |                                      |                             |
| 348              | Other Tangible Plant                   |                           |                                      |                             |
|                  | <b>TOTALS</b>                          | <b>757093</b>             | <b>490309</b>                        | <b>266784</b>               |

This amount goes on the Balance Sheet Acct. No. 108



**CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR**

| Acct.<br>No. | DESCRIPTION                            | Original<br>Cost<br>(1) | Depreciation<br>Percentage<br>(2) | Depreciation<br>Expense<br>(1x2) |
|--------------|--|-------------------------|-----------------------------------|----------------------------------|
| 301          | Organization                           | 104                     |                                   |                                  |
| 302          | Franchises                             | 250                     |                                   |                                  |
| 303          | Land and Land Rights                   | 9063                    |                                   |                                  |
| 304          | Structures and Improvements            | 7304                    | 5%                                | 365                              |
| 307          | Wells and Springs                      | 30319                   | 5%                                | 1516                             |
| 311          | Pumping Equipment                      | 49272                   | 5%                                | 2463                             |
| 320          | Water Treatment Equipment              |                         |                                   |                                  |
| 330          | Distribution Reservoirs and Standpipes | 64054                   | 5%                                | 3203                             |
| 331          | Transmission and Distribution Mains    | 477077                  | 5%                                | 23853                            |
| 333          | Services                               | 78717                   | 5%                                | 3937                             |
| 334          | Meters and Meter Installations         | 40933                   | 5%                                | 2047                             |
| 335          | Hydrants                               |                         |                                   |                                  |
| 336          | Backflow Prevention Devices            |                         |                                   |                                  |
| 339          | Other Plant and Misc. Equipment        |                         |                                   |                                  |
| 340          | Office Furniture and Equipment         |                         |                                   |                                  |
| 341          | Transportation Equipment               |                         |                                   |                                  |
| 343          | Tools, Shop and Garage Equipment       |                         |                                   |                                  |
| 344          | Laboratory Equipment                   |                         |                                   |                                  |
| 345          | Power Operated Equipment               |                         |                                   |                                  |
| 346          | Communication Equipment                |                         |                                   |                                  |
| 347          | Miscellaneous Equipment                |                         |                                   |                                  |
| 348          | Other Tangible Plant                   |                         |                                   |                                  |
|              | <b>TOTALS</b>                          | 757093                  |                                   | 37384                            |

This amount goes on Comparative statement of Income and Expense  
Acct. No. 403.



**BALANCE SHEET**

| Acct.<br>No. | ASSETS                                      | BALANCE AT<br>BEGINNING OF<br>YEAR | BALANCE AT<br>END OF<br>YEAR |
|--------------|---|------------------------------------|------------------------------|
|              | <b>CURRENT AND ACCRUED ASSETS</b>           |                                    |                              |
| 131          | Cash  | \$ 15388                           | \$ 60906                     |
| 134          | Working Funds                               |                                    |                              |
| 135          | Temporary Cash Investments                  | 139645                             | 132848                       |
| 141          | Customer Accounts Receivable                | 23357                              | 23098                        |
| 146          | Notes/Receivables from Associated Companies |                                    |                              |
| 151          | Plant Material and Supplies                 | 1101                               | 1101                         |
| 162          | Prepayments                                 |                                    |                              |
| 174          | Miscellaneous Current and Accrued Assets    |                                    |                              |
|              | <b>TOTAL CURRENT AND ACCRUED ASSETS</b>     | \$ 179491                          | \$ 217953                    |
|              | <b>FIXED ASSETS</b>                         |                                    |                              |
| 101          | Utility Plant in Service                    | \$ 715176                          | \$ 757093                    |
| 103          | Property Held for Future Use                |                                    |                              |
| 105          | Construction Work in Progress               |                                    |                              |
| 108          | Accumulated Depreciation – Utility Plant    | (449213 )                          | (490309 )                    |
| 121          | Non-Utility Property                        |                                    |                              |
| 122          | Accumulated Depreciation – Non Utility      |                                    |                              |
|              | <b>TOTAL FIXED ASSETS</b>                   | \$ 265963                          | \$ 266784                    |
|              | <b>TOTAL ASSETS</b>                         | \$ 445454                          | \$ 484737                    |

**NOTE:** The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

**BALANCE SHEET (CONTINUED)**

| Acct.<br>No. | LIABILITIES                                       | BALANCE AT<br>BEGINNING OF<br>YEAR | BALANCE AT<br>END OF<br>YEAR |
|--------------|---|------------------------------------|------------------------------|
|              | <b>CURRENT LIABILITIES</b>                        |                                    |                              |
| 231          | Accounts Payable                                  | \$ 25                              | \$ ---                       |
| 232          | Notes Payable (Current Portion)                   |                                    |                              |
| 234          | Notes/Accounts Payable to Associated Companies    |                                    |                              |
| 235          | Customer Deposits                                 | 46027                              | 43231                        |
| 236          | Accrued Taxes                                     | 787                                | 795                          |
| 237          | Accrued Interest                                  |                                    |                              |
| 241          | Miscellaneous Current and Accrued Liabilities     |                                    |                              |
|              | <b>TOTAL CURRENT LIABILITIES</b>                  | \$ 46839                           | \$ 44026                     |
|              | <b>LONG-TERM DEBT (Over 12 Months)</b>            |                                    |                              |
| 224          | Long-Term Notes Payable                           | \$                                 | \$                           |
|              | <b>DEFERRED CREDITS</b>                           |                                    |                              |
| 251          | Unamortized Premium on Debt                       | \$                                 | \$                           |
| 252          | Advances in Aid of Construction                   | 156232                             | 225082                       |
| 255          | Accumulated Deferred Investment Tax Credits       |                                    |                              |
| 271          | Contributions in Aid of Construction              | 141573                             | 141573                       |
| 272          | Less: Amortization of Contributions               | (141573 )                          | (141573 )                    |
| 281          | Accumulated Deferred Income Tax                   |                                    |                              |
|              | <b>TOTAL DEFERRED CREDITS</b>                     | \$ 156232                          | \$ 225082                    |
|              | <b>TOTAL LIABILITIES</b>                          | \$ 203071                          | \$ 269108                    |
|              | <b>CAPITAL ACCOUNTS</b>                           |                                    |                              |
| 201          | Common Stock Issued                               | \$ 100                             | \$ 100                       |
| 211          | Paid in Capital in Excess of Par Value            | 159638                             | 159638                       |
| 215          | Retained Earnings                                 | 82645                              | 55891                        |
| 218          | Proprietary Capital (Sole Props and Partnerships) |                                    |                              |
|              | <b>TOTAL CAPITAL</b>                              | \$ 242383                          | \$ 215629                    |
|              | <b>TOTAL LIABILITIES AND CAPITAL</b>              | \$ 445454                          | \$ 484737                    |

Retained Earnings 1/1/03

82645

Adjustments to Plant and Accumulated Depreciation

( 3712 )

Dividends Paid

(60547 )

Net Income

37505

55891

See Accountants' Report.

**COMPARATIVE STATEMENT OF INCOME AND EXPENSE**

| <b>Acct. No.</b> | <b>OPERATING REVENUES</b>                 | <b>PRIOR YEAR</b> | <b>CURRENT YEAR</b> |
|------------------|---|-------------------|---------------------|
| 461              | Metered Water Revenue                     | \$ 172601         | \$ 174151           |
| 460              | Unmetered Water Revenue                   |                   |                     |
| 474              | Other Water Revenue                       | 2524              | 2075                |
|                  | <b>TOTAL REVENUES</b>                     | <b>\$ 175125</b>  | <b>\$ 176226</b>    |
|                  |   |                   |                     |
|                  | <b>OPERATING EXPENSES</b>                 |                   |                     |
| 601              | Salaries and Wages                        | \$                | \$                  |
| 610              | Purchased Water                           |                   |                     |
| 615              | Purchased Power                           | 13518             | 12511               |
| 618              | Chemicals                                 |                   | 32                  |
| 620              | Repairs and Maintenance                   | 2840              | 2793                |
| 621              | Office Supplies and Expense               | 1960              | 3606                |
| 630              | Outside Services                          | 56285             | 63864               |
| 635              | Water Testing                             | 2426              | 2160                |
| 641              | Rents                                     |                   |                     |
| 650              | Transportation Expense                    | 4744              | 4714                |
| 657              | Insurance – General Liability             | 1448              | 2064                |
| 659              | Insurance – Health and Life               |                   |                     |
| 666              | Regulatory Commission Expense – Rate Case |                   |                     |
| 675              | Miscellaneous Expense                     | 475               | 418                 |
| 403              | Depreciation Expense                      | 35289             | 37384               |
| 408              | Taxes Other Than Income                   |                   |                     |
| 408.11           | Property Taxes                            | 9652              | 9852                |
| 409              | Income Tax                                |                   |                     |
|                  | <b>TOTAL OPERATING EXPENSES</b>           | <b>\$ 128637</b>  | <b>\$ 139398</b>    |
|                  |   |                   |                     |
|                  | <b>OPERATING INCOME/(LOSS)</b>            | <b>\$ 46488</b>   | <b>\$ 36828</b>     |
|                  |   |                   |                     |
|                  | <b>OTHER INCOME/(EXPENSE)</b>             |                   |                     |
| 419              | Interest and Dividend Income              | \$ 411            | \$ 202              |
| 421              | Non-Utility Income                        | 845               | 922                 |
| 426              | Miscellaneous Non-Utility Income          |                   |                     |
| 427              | Interest Expense                          | (385 )            | (447 )              |
|                  | <b>TOTAL OTHER INCOME/(EXPENSE)</b>       | <b>\$ 871</b>     | <b>\$ 677</b>       |
|                  |   |                   |                     |
|                  | <b>NET INCOME/(LOSS)</b>                  | <b>\$ 47359</b>   | <b>\$ 37505</b>     |



|                     |                                  |
|---------------------|----------------------------------|
| <b>COMPANY NAME</b> | Mescal Lakes Water Systems, Inc. |
|---------------------|----------------------------------|

**SUPPLEMENTAL FINANCIAL DATA**

**Long-Term Debt**

|                        | LOAN #1 | LOAN #2 | LOAN #3 | LOAN #4 |
|------------------------|---------|---------|---------|---------|
| Date Issued            |         |         |         |         |
| Source of Loan         |         |         |         |         |
| ACC Decision No.       |         |         |         |         |
| Reason for Loan        |         |         |         |         |
| Dollar Amount Issued   | \$      | \$      | \$      | \$      |
| Amount Outstanding     | \$      | \$      | \$      | \$      |
| Date of Maturity       |         |         |         |         |
| Interest Rate          |         |         |         |         |
| Current Year Interest  | \$      | \$      | \$      | \$      |
| Current Year Principle | \$      | \$      | \$      | \$      |

Meter Deposit Balance at Test Year End

\$ 36,310.50

Meter Deposits Refunded During the Test Year

\$ 6,278.00

**COMPANY NAME** Mescal Lakes Water Systems, Inc.

## WATER COMPANY PLANT DESCRIPTION

### WELLS

| ADWR ID<br>Number*          | Pump<br>Horsepower | Pump Yield<br>(Gpm) | Casing<br>Depth<br>(Feet) | Casing<br>Diameter<br>(Inches) | Meter Size<br>(inches) | Year<br>Drilled |
|-----------------------------|--------------------|---------------------|---------------------------|--------------------------------|------------------------|-----------------|
| 55-800432                   | 15                 | 80                  | 415                       | 8                              | 2                      | 1975            |
| Not in service<br>55-800433 | 5                  | 10                  | 1098                      | 6                              | n/a                    | 1971            |
| 55-561268                   | 15                 | 140                 | 400                       | 8                              | 2                      | 1997            |
|                             |                    |                     |                           |                                |                        |                 |
|                             |                    |                     |                           |                                |                        |                 |
|                             |                    |                     |                           |                                |                        |                 |

- Arizona Department of Water Resources Identification Number

### OTHER WATER SOURCES

| Name or Description | Capacity<br>(gpm) | Gallons Purchased or Obtained<br>(in thousands) |
|---------------------|-------------------|---|
| None                |                   |   |
|                     |                   |   |

| BOOSTER PUMPS |          | FIRE HYDRANTS     |                |
|---------------|----------|-------------------|----------------|
| Horsepower    | Quantity | Quantity Standard | Quantity Other |
| 7.5           | 4        |                   |                |
|               |          |                   |                |
|               |          |                   |                |
|               |          |                   |                |

| STORAGE TANKS |          | PRESSURE TANKS |          |
|---------------|----------|----------------|----------|
| Capacity      | Quantity | Capacity       | Quantity |
| 20,000        | 1        | 3,000          | 1        |
| 50,000        | 1        | 5,000          | 1        |
|               |          |                |          |
|               |          |                |          |

**COMPANY NAME** Mescal Lakes Water Systems, Inc.

**WATER COMPANY PLANT DESCRIPTION (CONTINUED)**

**MAINS**

| Size (in inches) | Material | Length (in feet) |
|------------------|----------|------------------|
| 2                |          |                  |
| 3                | PVC      | 1,870            |
| 4                | PVC      | 19,050           |
| 5                |          |                  |
| 6                | PVC      | 38,100           |
| 8                |          |                  |
| 10               |          |                  |
| 12               |          |                  |
|                  |          |                  |
|                  |          |                  |
|                  |          |                  |
|                  |          |                  |
|                  |          |                  |

**CUSTOMER METERS**

| Size (in inches) | Quantity |
|------------------|----------|
| 5/8 X 3/4        | 440      |
| 3/4              | 2        |
| 1                | 6        |
| 1 1/2            |          |
| 2                | 4        |
| Comp. 3          |          |
| Turbo 3          |          |
| Comp. 4          |          |
| Tubo 4           |          |
| Comp. 6          |          |
| Tubo 6           |          |
|                  |          |
|                  |          |

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

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STRUCTURES:

770' of 6' Chain Link Fence

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OTHER:

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COMPANY NAME: Mescal Lakes Water Systems, Inc.

**WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2003**

| MONTH     | NUMBER OF CUSTOMERS | GALLONS SOLD | GALLON PUMPED (Thousands) |
|-----------|---------------------|--------------|---------------------------|
| JANUARY   | 442                 | 1,646,110    | 2,080                     |
| FEBRUARY  | 444                 | 1,726,467    | 1,787                     |
| MARCH     | 444                 | 1,441,233    | 1,622                     |
| APRIL     | 447                 | 1,923,196    | 2,193                     |
| MAY       | 447                 | 2,263,296    | 2,501                     |
| JUNE      | 447                 | 3,238,634    | 3,534                     |
| JULY      | 447                 | 3,082,088    | 3,303                     |
| AUGUST    | 449                 | 2,517,630    | 2,865                     |
| SEPTEMBER | 449                 | 2,170,499    | 2,398                     |
| OCTOBER   | 449                 | 2,143,169    | 2,323                     |
| NOVEMBER  | 449                 | 2,061,057    | 2,249                     |
| DECEMBER  | 452                 | 1,645,981    | 1,757                     |
| TOTAL     |                     | N/A          | 28,612                    |

Is the Water Utility located in an ADWR Active Management Area (AMA)?

( ) Yes (x) No

Does the Company have An ADWR Gallons Per Capita Per Day (GPCPD) requirement?

( ) Yes (x) No

If yes, provide the GPCPD amount: \_\_\_\_\_

What is the level of arsenic for each well on your system.  $\frac{0.0064}{0.0052} \frac{\text{mg/l}}{\text{mg/l}}$   
(If more than one well, please list each separately)

*Note: If you are filing for more than one system, please provide separate data sheets for each system.*

**PROPERTY TAXES**

Amount of actual property taxes paid during Calendar year 2003 was \$ 9852.32

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property tax paid, explain why. \_\_\_\_\_

**INCOME TAXES**

For this reporting period, please provide the following:

Federal Taxable Income Reported S Corporation  
Estimated or Actual Federal Tax Liability \_\_\_\_\_

FEB 26 2004

State Taxable Income Reported S Corporation  
Estimated or Actual State Tax Liability \_\_\_\_\_

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances 366655  
Amount of Gross-Up Tax Collected \_\_\_\_\_  
Total Grossed-Up Contributions/Advances \_\_\_\_\_

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

**CERTIFICATION**

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

  
SIGNATURE2/23/04  
DATEEzra H. Lewis  
PRINTED NAMEPresident  
TITLE

**VERIFICATION  
AND  
SWORN STATEMENT  
Intrastate Revenues Only**

FEB 26 2004

**VERIFICATION  
STATE OF**

Arizona

**I, THE UNDERSIGNED**

**OF THE**

COUNTY OF (COUNTY NAME)

Pima

NAME (OWNER OR OFFICIAL) TITLE

Ezra H. Lewis, President

COMPANY NAME

Mescal Lakes Water Systems, Inc.

**DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION**

**FOR THE YEAR ENDING**

| MONTH | DAY | YEAR |
|-------|-----|------|
| 12    | 31  | 2003 |

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2003 WAS:

Arizona IntraState Gross Operating Revenues Only (\$)

\$ 187975.91

(THE AMOUNT IN THE BOX ABOVE  
INCLUDES \$ 10968.36  
IN SALES TAXES BILLED, OR COLLECTED)

**\*\*REVENUE REPORTED ON THIS PAGE  
MUST INCLUDE SALES TAXES BILLED OR  
COLLECTED. IF FOR ANY OTHER REASON,  
THE REVENUE REPORTED ABOVE DOES NOT  
AGREE WITH TOTAL OPERATING REVENUES  
ELSEWHERE REPORTED, ATTACH THOSE  
STATEMENTS THAT RECONCILE THE  
DIFFERENCE. (EXPLAIN IN DETAIL)**

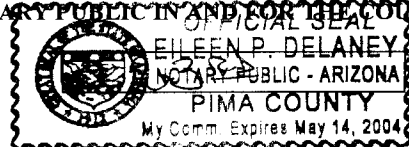
*Ezra H. Lewis*  
SIGNATURE OF OWNER OR OFFICIAL

520-623-5172  
TELEPHONE NUMBER

**SUBSCRIBED AND SWORN TO BEFORE ME**

**A NOTARY PUBLIC IN AND FOR THE COUNTY OF**

**THIS**



**(SEAL)**

**DAY OF**

COUNTY NAME

PIMA

MONTH FEB.

2004

**MY COMMISSION EXPIRES**

MAY 14, 2004

**See Accountant's Report.**

*Eileen P. Delaney*  
SIGNATURE OF NOTARY PUBLIC

**VERIFICATION  
AND  
SWORN STATEMENT  
RESIDENTIAL REVENUE  
Intrastate Revenues Only**

FEB 26 2004

**VERIFICATION**

**STATE OF ARIZONA  
I, THE UNDERSIGNED  
OF THE**

|  |                    |
|--|--------------------|
| (COUNTY NAME) Pima                               |                    |
| NAME (OWNER OR OFFICIAL)<br>Ezra H. Lewis        | TITLE<br>President |
| COMPANY NAME<br>Mescal Lakes Water Systems, Inc. |                    |

**DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION  
FOR THE YEAR ENDING**

| MONTH | DAY | YEAR |
|-------|-----|------|
| 12    | 31  | 2003 |

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS. PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

**IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01 ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2003 WAS:**

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 184163.64

(THE AMOUNT IN BOX AT LEFT

INCLUDES \$ 10743.50

IN SALES TAXES BILLED, OR COLLECTED)

**\*RESIDENTIAL REVENUE REPORTED ON THIS PAGE  
MUST INCLUDE SALES TAXES BILLED.**

*Ezra H. Lewis*  
SIGNATURE OF OWNER OR OFFICIAL

520-623-5172  
TELEPHONE NUMBER

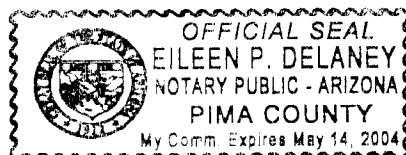
**SUBSCRIBED AND SWORN TO BEFORE ME  
A NOTARY PUBLIC IN AND FOR THE COUNTY OF  
THIS**

23<sup>RD</sup> DAY OF

(SEAL)

**MY COMMISSION EXPIRES**

See Accountants' Report



|   |              |
|---|--------------|
| NOTARY PUBLIC NAME<br>EILEEN P. DELANEY |              |
| COUNTY NAME<br>PIMA                     |              |
| MONTH<br>FEBRUARY                       | YEAR<br>2004 |

*Eileen P. Delaney*  
SIGNATURE OF NOTARY PUBLIC



MARSHA BONHAM  
COCHISE CO TREASURER  
P O BOX 1778  
BISBEE AZ 85603

TAX ROLL NUMBER  
110683  
PARCEL IDENTIFICATION  
938-60-900 6  
TAX AREA CODE  
0900

MESCAL LAKES WATER SYST  
P O BOX 85160  
TUCSON AZ 85754

RECEIPT REQUESTED (✓)

MARSHA BONHAM  
COCHISE CO TREASURER  
P O BOX 1778  
BISBEE AZ 85603

TAX ROLL NUMBER  
56094  
PARCEL IDENTIFICATION  
124-15-626 8  
TAX AREA CODE  
0900

MESCAL LAKES WATER SYST  
P O BOX 85160  
TUCSON AZ 85754

RECEIPT REQUESTED (✓)

TOTAL TAX DUE IS \$100.00 OR LESS FULL AMOUNT IS DUE NOW.  
SEE PAYMENT INSTRUCTIONS ON REVERSE SIDE OF NOTICE.  
ENTER ADDRESS CORRECTION ON THE BACK OF THIS COUPON.

1002 2ND HALF COUPON  
TO PAY 1ST HALF PAY 4,594.91

NOTE: 2nd HALF TAXES DELINQUENT AFTER MAY 1, 2003



0293860900006200200000459491

DOR Form PTXB: (5/2002)

\*IF TOTAL TAX DUE IS \$100.00 OR LESS FULL AMOUNT IS DUE NOW.  
SEE PAYMENT INSTRUCTIONS ON REVERSE SIDE OF NOTICE.  
ENTER ADDRESS CORRECTION ON THE BACK OF THIS COUPON.

1002 2ND HALF COUPON  
TO PAY 2ND HALF PAY 54.83

NOTE: 2nd HALF TAXES DELINQUENT AFTER MAY 1, 2003



0212415626008200200000005483

DOR Form PTXBL (5/2002)

MESCAL LAKES WATER SYSTEMS, INC.  
P. O. BOX 85160 623-5192  
TUCSON, AZ 85754

WELLS FARGO BANK  
TUCSON, AZ 85745  
91-527/1221

1303

4/17/2003

PAY TO THE ORDER OF Marsha Bonham - Cochise Co. Treasurer

\$ \*\*4,649.74

Four Thousand Six Hundred Forty-Nine and 74/100\*\*\*\*\* DOLLARS

Marsha Bonham - Cochise Co. Treasurer

VOID AFTER 90 DAYS

MEMO

AUTHORIZED SIGNATURE

⑈001303⑈ ⑆122105278⑆0719891848⑈

SECURITY FEATURES INCLUDED. DETAILS ON BACK.

MESCAL LAKES WATER SYSTEMS, INC.  
Marsha Bonham - Cochise Co. Treasurer

1303

4/17/2003

| Date       | Type | Reference    | Original Amt. | Balance Due  | Discount | Payment  |
|------------|------|--------------|---------------|--------------|----------|----------|
| 04/17/2003 | Bill | 938-60-900 6 | 4,594.91      | 4,594.91     |          | 4,594.91 |
| 04/17/2003 | Bill | 124-15-626 8 | 54.83         | 54.83        |          | 54.83    |
|            |      |              |               | Check Amount |          | 4,649.74 |

1380

**MESCAL LAKES WATER SYSTEMS, INC.**P. O. BOX 85160 623-5192  
TUCSON, AZ 85754WELLS FARGO BANK  
TUCSON, AZ 85745  
91-527/1221

10/28/2003

PAY TO THE ORDER OF Marsha Bonham - Cochise Co. Treasurer

\$ \*\*62.85

Sixty-Two and 85/100\*\*\*\*\*

DOLLARS

Marsha Bonham - Cochise Co. Treasurer

VOID AFTER 90 DAYS

MEMO Parcel ID: 124-15-626 8; First Half Property tax 2003

⑈001380⑈ ⑆122105278⑆0719891848⑈

AUTHORIZED SIGNATURE

SECURITY FEATURES INCLUDED. DETAILS ON BACK.

**MESCAL LAKES WATER SYSTEMS, INC.**

Marsha Bonham - Cochise Co. Treasurer

10/28/2003

1380

| Date       | Type | Reference    | Original Amt. | Balance Due  | Discount | Payment |
|------------|------|--------------|---------------|--------------|----------|---------|
| 09/29/2003 | Bill | 124-150626 8 | 62.85         | 62.85        |          | 62.85   |
|            |      |              |               | Check Amount |          | 62.85   |

131100 - Wells Fargo Ban Parcel ID: 124-15-626 8; First Half Property tax 2003

62.85

PLEASE RETURN THIS PORTION WITH PAYMENT TO:

MARSHA BONHAM  
COCHISE CO TREASURER  
P O BOX 1778  
BISBEE AZ 85603

|                                       |
|---------------------------------------|
| TAX ROLL NUMBER<br>56734              |
| PARCEL IDENTIFICATION<br>124-15-626 8 |
| TAX AREA CODE<br>0900                 |

MESCAL LAKES WATER SYSTE RECEIPT REQUESTED ( )  
PO BOX 85160  
TUCSON AZ 85754PLEASE RETURN  
BOTH COUPONS  
WHEN PAYING  
FULL YEAR TAX\*IF TOTAL TAX DUE IS \$100.00 OR LESS FULL AMOUNT IS DUE NOW.  
SEE PAYMENT INSTRUCTIONS ON REVERSE SIDE OF NOTICE.  
ENTER ADDRESS CORRECTION ON THE BACK OF THIS COUPON.

2003 1ST HALF COUPON

|                      |     |        |
|----------------------|-----|--------|
| TO PAY 1ST HALF ONLY | PAY | 62.85  |
| TO PAY FULL YEAR TAX | PAY | 125.70 |

NOTE: 1st HALF TAXES DELINQUENT AFTER NOV 1, 2003



0212415626008200300000000062

1381

**MESCAL LAKES WATER SYSTEMS, INC.**P. O. BOX 85160 623-5192  
TUCSON, AZ 85754WELLS FARGO BANK  
TUCSON, AZ 85745  
91-527/1221

10/28/2003

PAY TO THE ORDER OF Marsha Bonham - Cochise Co. Treasurer

\$ \*\*5,139.73

Five Thousand One Hundred Thirty-Nine and 73/100 \*\*\*\*\* DOLLARS

Marsha Bonham - Cochise Co. Treasurer

VOID AFTER 90 DAYS

MEMO Parcel ID: 938-60-900 6; First Half Property tax 2003

⑈001381⑈ ⑆122105278⑆0719891848⑈

AUTHORIZED SIGNATURE

SECURITY FEATURES INCLUDED. DETAILS ON BACK.

**MESCAL LAKES WATER SYSTEMS, INC.**

1381

Marsha Bonham - Cochise Co. Treasurer

10/28/2003

| Date       | Type | Reference    | Original Amt. | Balance Due | Discount     | Payment  |
|------------|------|--------------|---------------|-------------|--------------|----------|
| 09/29/2003 | Bill | 938-60-900 6 | 5,139.73      | 5,139.73    |              | 5,139.73 |
|            |      |              |               |             | Check Amount | 5,139.73 |

131100 - Wells Fargo Ban Parcel ID: 938-60-900 6; First Half Property tax 2003

5,139.73

PLEASE RETURN THIS PORTION WITH PAYMENT TO:

MARSHA BONHAM  
COCHISE CO TREASURER  
P O BOX 1778  
BISBEE AZ 85603

|                                       |
|---------------------------------------|
| TAX ROLL NUMBER<br>111392             |
| PARCEL IDENTIFICATION<br>938-60-900 6 |
| TAX AREA CODE<br>0900                 |

MESCAL LAKES WATER SYSTEM RECEIPT REQUESTED ( )  
P O BOX 85160  
TUCSON AZ 85754PLEASE RETURN  
BOTH COUPONS  
WHEN PAYING  
FULL YEAR TAX\*IF TOTAL TAX DUE IS \$100.00 OR LESS FULL AMOUNT IS DUE NOW.  
SEE PAYMENT INSTRUCTIONS ON REVERSE SIDE OF NOTICE.  
ENTER ADDRESS CORRECTION ON THE BACK OF THIS COUPON.

## 2003 1ST HALF COUPON

|                      |     |           |
|----------------------|-----|-----------|
| TO PAY 1ST HALF ONLY | PAY | 5,139.73  |
| TO PAY FULL YEAR TAX | PAY | 10,279.46 |

NOTE: 1st HALF TAXES DELINQUENT AFTER NOV 1, 2003



0293860900006200300000005139

HOLM, HESTAND & VALENZUELA, CPAs, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
3131 NORTH COUNTRY CLUB ROAD, SUITE 109  
TUCSON, ARIZONA 85716

DOUGLAS R. HOLM, CPA  
EMMA K. HESTAND, CPA  
JANETTE G. VALENZUELA, CPA

TELEPHONE: (520) 326-8483  
FAX: (520) 795-5191  
E-MAIL: HHVCPA@EARTHLINK.NET

We have compiled the balance sheets of Mescal Lakes Water Systems, Inc. as of December 31, 2003 and 2002, and the related comparative statements of income and expense for the years then ended, included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. We have also compiled the supplementary information presented in the prescribed form.

Our compilation was limited to presenting in the form prescribed by the Arizona Corporation Commission information that is the representation of management. We have not audited or reviewed the financial statements and supplementary information referred to above, and accordingly, do not express an opinion or any other form of assurance on them.

These financial statements and the supplementary information are presented in accordance with the requirements of the Arizona Corporation Commission, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

*Holm, Hestand & Valenzuela CPAs P.C.*

February 6, 2004